

Grade 11 Economics: Homework Exercise - Elasticities

Answer these questions on a piece of file paper:

1. State the correct formulae for the following elasticities;
 - a) Price elasticity of demand
 - b) Cross elasticity of demand
 - c) Price elasticity of supply
 - d) Income elasticity of demand(8)
2. If a product has no close substitutes (eg electricity), it is likely that its demand will be price INELASTIC. State two other general cases for products that have inelastic demand and give an example for each. (4)
3. If the product is a luxury item (eg. a foreign cruise), it is likely that its demand will be price ELASTIC. State one other general case for products that have elastic demand and give an example. (2)
4. Calculate the price elasticity of demand for the following product: The price of a product falls from \$10 to \$9. As a result the demand for the product increases from 400 units to 1200 units. State whether the price elasticity of demand is elastic, inelastic or unitary. (3)
5. Calculate the price elasticity of demand for the following product: The price of a product rises from \$25 to \$30. As a result the demand for the product decreases from 7500 units to 7400 units. State whether the price elasticity of demand is elastic, inelastic or unitary. (3)
6. Sketch the demand curves for two products, one with demand which is price elastic and the other with demand that is price inelastic. (4)
7. Calculate the cross elasticity of demand for the following products: The price of pencils rises from \$0.50 to \$0.75. As a result the demand for pencil cases falls from 250 units to 200 units. (2)
8. Calculate the price elasticity of supply for the following product: The price of CD Players rises from \$110 to \$140. As a result, producers increase supply from 2500 to 3500. State whether it is elastic, inelastic or unitary. (3)
9. Do you expect substitute products to have a positive or negative cross elasticity of demand? (1)
10. Calculate the income elasticity of demand for the following product. Consumers' incomes fall from \$16,000 to \$12,000. As a result the demand for cinema tickets falls from 8000 units to 4000 units. (2)